

United States Senate

WASHINGTON, DC 20510

May 19, 2011

The Honorable Timothy Geithner
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, NW, Room 3134
Washington, DC 20220

Mr. Richard Foster
Chief Actuary
Centers for Medicare and Medicaid Services
Department of Health and Human Services
200 Independence Avenue, SW Room 314
G Humphrey Building
Washington, DC 20201

Dear Secretary Geithner and Mr. Foster:

On May 13, 2011, the Social Security and Medicare Trustees released their annual report on the fiscal condition of both federal programs. Your statements regarding the future of our Medicare program are contradictory. As we seek to address the financial state of our government, it is essential that our discussion be grounded by sound data and unquestionable fact.

In response to the report, Secretary Geithner, you stated: "the Medicare report illustrates, once again, the importance of the reforms in the Affordable Care Act, which will significantly strengthen Medicare's finances and extend the life of the Medicare Trust Fund." However, others have questioned this assertion since the new health care law not only siphons over \$500 billion from Medicare but it also spends this money to finance other entitlements within the new law.

In fact, comments by Mr. Foster are in direct contrast to Mr. Geithner's assertion. Mr. Foster, you stated: "In practice, the improved Part A financing cannot be simultaneously used to finance other Federal outlays (such as the coverage expansions under the [health care law]) and to extend the trust fund, despite the appearance of this result from the respective accounting conventions."

Basic accounting tells us that we cannot both save and spend the same dollar. The American public deserves to know whether budgetary gimmicks are being used to mask the fiscal condition of the Medicare program and the true cost of the health care overhaul.

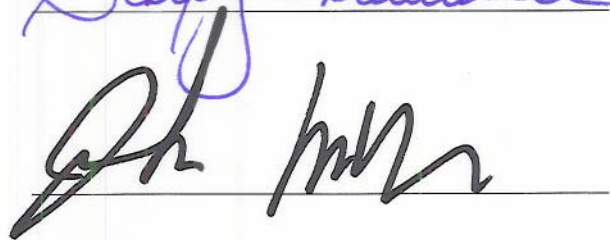
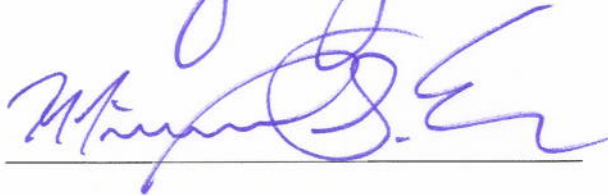
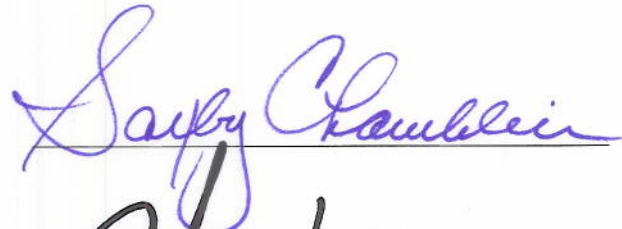
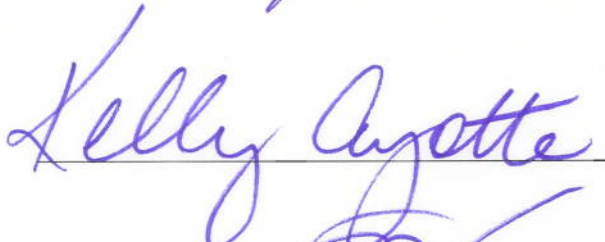
Following the release of the report, Secretary Geithner, you also said: "we have to go beyond the Affordable Care Act and identify additional reforms." In his April 13, 2011 speech, the President recommended that the Independent Payment Advisory Board (IPAB) make even further reductions to Medicare by setting "a new target of Medicare growth per beneficiary growing with gross domestic product per capita plus 0.5 percent," rather than holding growth to one percent as required under the new health care law. Additionally, the President claims these reductions can be achieved while simultaneously "protecting access to the services that seniors need."

A substantial portion of these Medicare reductions will be attributable to a reduction in the annual payment updates for most Medicare services. However, in the Trustee report, Mr. Foster warns, "the prices paid by Medicare for health services are very likely to fall increasingly short of costs of providing these services," which would result in "severe problems with beneficiary access to care." Additionally, simulations by your office, Mr. Foster, suggest that roughly 15 percent of Medicare Part A providers will become unprofitable within 10 years. So, it appears claims of the Administration and its own Actuary are inconsistent here as well. Considering these apparent inconsistencies, how can both claims be simultaneously accurate? And is it plausible that the Administration's further recommended cuts by IPAB are even possible?

Seniors and all Americans deserve transparency and accountability when it comes to the fiscal condition of the Medicare program. Public officials cannot continue to claim the new health care law strengthens Medicare if independent analysis has disproven these unrealistic assertions. Either the new health care law will not have enough funding to operate or our Medicare system is in jeopardy of becoming insolvent much sooner than the Trustee report claims. Either Medicare beneficiaries will struggle to find hospitals, doctors and others to provide them health care services, or Medicare beneficiaries will see no changes and will be held harmless by the Medicare payment reductions. These assertions cannot be simultaneously accurate.

A joint letter signed by both of you explaining how the above conflicting statements can be reconciled is the only way to clear the air on this subject. At a time when our nation is experiencing record-breaking budgetary shortfalls, it is vital that the discussion about one of the largest portions of our federal government is open, honest, and free of ambiguity and contradiction. We look forward to your prompt reply within fourteen days of the date of this letter.

Sincerely,



Richard Shelby

Chuck Grassley

Richard To Lujan

Don Kyl

Jeff Sessions

Pat Alexander

Tim Weller

Alan K. Ien

Baucus

John Cornyn

Tommy Davis

Ray Blunt

Tim Wicker

John Barrasso

Jeff Flake

Tim Wicker

John Hoeven

John Booz

Joe Chalk

Thad Cohen

Mike Cypso

Mark

Ralph

John

Jim LaRue

Poly Rantman

Michael B. Enzi

Pat Rooney

Susan Collins

Jerry Moran